

## Message Text

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PAGE 01 BONN 09205 091506Z

43

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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P 091247Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 0616

AMEMBASSY PARIS PRIORITY

C O N F I D E N T I A L BONN 09205

EXDIS

PARIS FOR SIMON AND BURNS

DEPT PASS TREASURY AND FRB

E.O. 11652: XGDS

TAGS: EGEN, EFIN, WG

SUBJECT: SIMON-SCHMIDT MEETING--DISCUSSION OF US  
ECONOMY

1. TOWARD CLOSE OF ONE HOUR MEETING IN BONN JUNE 9, SEC  
SIMON ASKED FOR CHANCELLOR'S VIEWS ON ECONOMIES OF WORLD  
AND US (TREASURY DELEGATION REPORTING OTHER SUBJECTS  
SEPARATELY).

2. SCHMIDT REPLIED THAT WHEN HE DISCUSSED THIS MATTER  
WITH PRESIDENT, LATTER HAD SOUNDED OPTIMISTIC BUT CHAN-  
CELLOR HAD NOT RPT NOT BEEN WHOLLY CONVINCED. FRG IS IN  
DEEPER RECESSION THAN ANTICIPATED. VOLUME OF FOREIGN  
TRADE AND EMPLOYMENT DECREASING DUE IN PART TO DECREASE  
IN VARIOUS GNP'S, ESPECIALLY THAT OF US. THIS SCARES  
GERMANS.

3. DR. BURNS COMMENTED THAT SITUATION STABILIZING AND  
SIMON ADDED NEW STATISTICS SUGGEST UPTURN HAS STARTED OR  
IS ABOUT TO. POSITIVE GROWTH EXPECTED THIRD QUARTER  
THIS YEAR.

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PAGE 02 BONN 09205 091506Z

4. SCHMIDT ASKED IF HE MIGHT SO REPORT TO BUNDESTAG, AND SIMON AGREED. LATTER WENT ON TO SAY STOCK MARKET BEGINNING TO SHOW SIGNS OF DIMINISHING PESSIMISM. BURNS ADDED THAT RETAIL TRADE IS INCREASING AND CONSUMER SENTIMENT GRADUALLY IMPROVING.

5. SCHMIDT SAID HIS MAIN PROBLEM IS THAT IN JULY FRG

WOULD NORMALLY HAVE TO DECIDE ABOUT ITS FY 76 BUDGET AND WHETHER IT SHOULD BE FINANCED BY INCREASED TAXES. BECAUSE OF LACK OF CLARITY RE US ECONOMY, HE WILL DELAY THESE DECISIONS. OPPOSITION AND MEDIA WILL, HOWEVER, ACCUSE HIS GOVERNMENT OF NOT MEETING ITS RESPONSIBILITIES. SINCE END OF AUGUST LATEST HE COULD MAKE REQUIRED DECISIONS, HE WONDERED IF IT WOULD BE CLEAR BY MID-AUGUST HOW US ECONOMY GOING. SIMON SAID IT WOULD.

6. SCHMIDT SAID THIS ALSO IMPORTANT TO HIM POLITICALLY SINCE HE HAS STATE ELECTIONS IN OCT. AND MARCH THAT HE CAN'T AFFORD TO LOSE.

7. BURNS WOUND UP THIS PORTION OF DISCUSSION BY SAYING GOOD NEWS RE US ECONOMY IS COMING AND DEBATE IN HIS STAFF IS NOT RPT NOT WHETHER TROUGH HAS BEEN PASSED, BUT WHETHER IT WAS PASSED IN APRIL OR IN MAY.

8. THIS MESSAGE WAS DRAFTED AFTER PARTY'S DEPARTURE. HILLENBRAND

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## Message Attributes

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